



STATE BOARD OF EQUALIZATION

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TIMOTHY W. BOYER
Interim Executive Director

March 2, 2004

Dear Interested Party :

The Sales and Use Tax Department is proposing to revise Compliance Policy and Procedures Manual Chapter 7, *Collections*, by incorporating the changes described below. The full text of the change, displayed on the following pages, is provided for the convenience of interested parties who may wish to submit comments.

Summary of Revisions

CPPM Section 706.090, Evaluation of Collection Program, and 706.092, *Reporting Extraordinary Situation or Technical Collection Problems*. This revision reflects the obsolescence of the Compliance Planning and Evaluation Section and assumption of certain tasks by the Field Support and Evaluation Unit in the Tax Policy Division.

CPPM Section 707.040, *Guidelines for Acceptance of Long Term Payment Plans*. This revision adds the follow-up process to perform the required annual review.

CPPM Section 707.060, *Necessary Expenses, Long Term Payment Plans*. This revision updates the amounts allowed during the review of a debtor's assets when determining the payment amount for a long term installment payment plan.

CPPM Section 748.006, *Suspension of Alcoholic Beverage License for Failure to Renew a Surety Bond*. This revision reflects current provisions of Business and Professions Code 24205 regarding the bond being cancelled, void, or unenforceable.

CPPM Section 760.040, *Responsibility for Recording and Filing Liens*. This revision has been revised to conform to current procedure.

CPPM Section 760.060, *Policy and Minimum Amounts – Notice of State Tax Lien*. This revision reflects changes to the supervisor approval process and other revisions to better organize the material and eliminate redundancies.

CPPM Section 763.090, *Liens Affecting Persons Other Than Taxpayers*. This new section informs staff of the procedures for handling instances when a lien inadvertently affects a person with the same name as a BOE tax debtor.

The name of the Account Analysis and Control Section was changed to the Registration and Security Control Team in LRAS (Local Revenue Allocation Section). The name change is reflected in revisions to Compliance Policy and Procedures Manual Chapter 7, Sections 751.030, 751.130, 754.030, and 754.170.

If you have any comments or suggestions *related solely to the proposed changes described above*, you may contact the Department by e-mail at: CPPM.RevisionSuggestions@boe.ca.gov, or you may submit your comments or suggestions to:

Mr. Todd Dingley
Sales and Use Tax Department
State Board of Equalization
P.O. Box 942879
Sacramento, CA 94279-0040

Fax: (916) 324-5996

All comments regarding the proposed change must be received by May 2, 2004 in order to be considered by staff. Thank you for your consideration. I look forward to your comments and suggestions.

Sincerely,

Jeffrey L. McGuire
Tax Policy Division
Sales and Use Tax Department

JLM: td

EVALUATION OF COLLECTION PROGRAM

706.090

The ~~Tax Policy~~supervisor of the Headquarters Compliance Planning and Evaluation Section~~Program Planning~~ Manager in the Tax Policy~~Program Planning~~ Division (TPPD) has the responsibility, to evaluate the effectiveness of the statewide collection program and to determine whether the results of the efforts of the districts meet the projected work goals of Sales and Use Tax Department Management.

REPORTING EXTRAORDINARY SITUATIONS OR TECHNICAL COLLECTION PROBLEMS

706.092

The supervisor of the Headquarters Special Procedures Section must be kept informed of extraordinary situations or technical problems on collection cases. Where questions of a legal nature are encountered regarding application of procedures or law to collection cases, the Headquarters Special Procedures Section should ~~first~~ be contacted by a District Principal Compliance Supervisor or District Administrator or similar level manager for guidance. This will prevent duplication of legal questions submitted to attorneys and provide a level of uniformity consistent with effective collection work. The supervisor of the Headquarters Special Procedures Section will keep the ~~Tax Policy~~supervisor of the Headquarters Compliance Planning and Evaluation Section ~~Program Manager~~ informed of any of these occurrences for inclusion in the Collection Program evaluation.

(Revised to reflect the ~~absence~~obsolescence of the Compliance Planning and Evaluation Section and assumption of certain tasks by the Field Support and Evaluation Team in TPD.)

GUIDELINES FOR ACCEPTANCE OF LONG TERM PAYMENT PLANS

707.040

The following procedures are provided as general guidelines. As always, Board representatives should use professional judgment and tact in dealing with tax debtors on payment proposals.

Necessary expenses, if reasonable in amount, should generally be allowed. If the necessary expense is in excess of the established standards, it may be allowed if the tax liability, including projected interest and penalty accruals, can be paid within three years (Three-year rule). If the liability can not be paid within three years, the tax debtor should be given up to one year to adjust for the non-allowable amount. After this adjustment period, the tax debtor should be required to increase the installment payment by the difference (One-year rule). A list of typical necessary expenses can be found in Section 707.060. Necessary expense charts are to be used as **maximum** guidelines. *If the actual expense, as shown via documentation, is less than the maximum limit, the actual amount should be used.*

Conditional expenses are allowable if a tax liability can be fully paid within three years through an installment agreement. If the liability can not be paid within three years, the one-year rule should be applied, and the tax debtor should be told to make the necessary adjustment. A list of typical conditional expenses can be found in Section 707.070. Conditional expense charts are to be used as **maximum** guidelines. *If the actual expense, as shown via documentation, is less than the maximum limit, the actual amount should be used.*

Allowable expense guidelines should only be applied to closed accounts and for open accounts, that only have an audit liability. In the case of an audit liability, the tax debtor should be questioned on whether the accounting practices of the business have been corrected to prevent future audit liabilities of a similar nature. This is particularly true of payment proposals on audits with fraud or negligence penalties.

All proposals ~~for payments in excess of 90 days duration~~ must be reviewed by a supervisor and approved by the district administrator or his/her designee. Upon acceptance of a long term payment proposal, ~~a Form BOE-407, Installment Payment Proposal, should be completed and provided to the tax debtor for a signature. If a lien has not already been filed for the period/s in question, a considered decision must be made by staff to either withhold the filing of a lien or advise the tax debtor of the possibility of a lien filing. ACMS DocGen will prompt the user to include either a lien warning blurb or a lien withhold blurb when preparing to the Form BOE-407. Form BOE-407, Installment Payment Agreement. Form BOE-407 is then sent to the taxpayer to be signed and returned. The tax debtor should be verbally advised during the installment payment proposal negotiation when a lien may be filed despite the installment payment agreement.~~

~~Approved~~ BOE-407 payment plans must be reviewed each twelve-month period (minimum) and recorded in ACMS Notes. ~~Prior to this review, the collector must conduct~~ ~~should include, as a minimum,~~ an asset check to verify the tax debtor's current income, a request for a current income tax return and a review of the original BOE-403 to determine if any expenses have terminated (for example, a vehicle loan may have been paid off or a dependent may have completed schooling within the last year).

Accounts in the Promise-To-Pay State (XX05) for 365 days will automatically be routed to the Promise Review State (XX65). Accounts in the Promise Review State will be placed on the collector's worklist. Collectors are expected to perform a review of the payment plan as outlined above, and if appropriate route the account back into the Promise-To-Pay State. Please note that when ACMS routes accounts into the Promise Review State, the promise will remain in effect and any promise reminder notices that are scheduled to be sent out will continue. If it is determined that the existing promise is still in the best interest of the State, then manually route the account back into the Promise-To-Pay State. If, however, the promise needs to be cancelled, collectors should route the accounts to his or her supervisor and ask the supervisor to cancel the promise.

Accounts that remain on the new Promise Review State for more than 15 days will be automatically routed to the worklist of the assigned collector's supervisor.

(This revision adds the follow-up process to perform the required annual review. Developed by the ~~Program-Planning~~ Tax Policy Division's Technology Team.)

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NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**707.060****Statewide Standards:****Maximum Monthly Standards for Food, Clothing and Other Items****Summary (Chart 1)**

<u>Total Gross Monthly Income</u>	<u>1 Person</u>	<u>2 Persons</u>	<u>3 Persons</u>	<u>4 Persons</u>	<u>Each Add'l Person</u>
<u>less than \$830.00</u>	<u>\$ 345.00</u>	<u>\$ 466.00</u>	<u>\$ 579.00</u>	<u>\$ 726.00</u>	<u>add \$125.00</u>
<u>\$831 to \$1,249</u>	<u>\$ 391.00</u>	<u>\$ 525.00</u>	<u>\$ 646.00</u>	<u>\$ 762.00</u>	<u>add \$135.00</u>
<u>\$1,250 to \$1,669</u>	<u>\$ 433.00</u>	<u>\$ 630.00</u>	<u>\$ 737.00</u>	<u>\$ 800.00</u>	<u>add \$145.00</u>
<u>\$1,670 to \$2,499</u>	<u>\$ 527.00</u>	<u>\$ 685.00</u>	<u>\$ 781.00</u>	<u>\$ 830.00</u>	<u>add \$155.00</u>
<u>\$2,500 to \$3,329</u>	<u>\$ 554.00</u>	<u>\$ 769.00</u>	<u>\$ 863.00</u>	<u>\$ 924.00</u>	<u>add \$165.00</u>
<u>\$3,330 to \$4,169</u>	<u>\$ 620.00</u>	<u>\$ 830.00</u>	<u>\$ 948.00</u>	<u>\$1,063.00</u>	<u>add \$175.00</u>
<u>\$4,170 to \$5,829</u>	<u>\$ 773.00</u>	<u>\$ 957.00</u>	<u>\$1,018.00</u>	<u>\$1,170.00</u>	<u>add \$185.00</u>
<u>\$5,830 and over</u>	<u>\$ 991.00</u>	<u>\$1,235.00</u>	<u>\$1,399.00</u>	<u>\$1,473.00</u>	<u>add \$195.00</u>

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 1) 707.060****Maximum Monthly Standards for Food, Clothing and Other Items****Detailed Breakdown (Chart 2)**

<u>Total Gross Income for One Person</u>	<u>Less than \$830.00</u>	<u>\$831 to \$1,249</u>	<u>\$1,250 to \$1,669</u>	<u>\$1,670 to \$2,499</u>	<u>\$2,500 to \$3,329</u>	<u>\$3,330 to \$4,169</u>	<u>\$4,170 to \$5,829</u>	<u>\$5,830 and over</u>
<u>Food</u>	\$ 170.00	\$198.00	\$214.00	\$257.00	\$270.00	\$325.00	\$428.00	\$456.00
<u>Housekeeping Supplies</u>	\$18.00	\$20.00	\$21.00	\$26.00	\$27.00	\$29.00	\$35.00	\$43.00
<u>Apparel & Services</u>	\$43.00	\$52.00	\$75.00	\$120.00	\$127.00	\$127.00	\$168.00	\$334.00
<u>Personal Care</u>	\$14.00	\$21.00	\$23.00	\$24.00	\$30.00	\$37.00	\$42.00	\$58.00
<u>Miscellaneous</u>	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
<u>Total</u>	\$345.00	\$391.00	\$433.00	\$527.00	\$554.00	\$620.00	\$773.00	\$991.00

Detailed Breakdown (Chart 2)

<u>Total Gross Income for Two Persons</u>	<u>Less than \$830</u>	<u>\$831 to \$1,249</u>	<u>\$1,250 to \$1,669</u>	<u>\$1,670 to \$2,499</u>	<u>\$2,500 to \$3,329</u>	<u>\$3,330 to \$4,169</u>	<u>\$4,170 to \$5,829</u>	<u>\$5,830 and over</u>
<u>Food</u>	\$228.00	\$277.00	\$351.00	\$365.00	\$424.00	\$438.00	\$515.00	\$635.00
<u>Housekeeping Supplies</u>	\$23.00	\$27.00	\$28.00	\$40.00	\$46.00	\$51.00	\$57.00	\$74.00
<u>Apparel & Services</u>	\$71.00	\$72.00	\$98.00	\$121.00	\$128.00	\$167.00	\$202.00	\$335.00
<u>Personal Care</u>	\$19.00	\$24.00	\$28.00	\$34.00	\$46.00	\$49.00	\$58.00	\$66.00
<u>Miscellaneous</u>	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00	\$125.00
<u>Total</u>	\$466.00	\$525.00	\$630.00	\$685.00	\$769.00	\$830.00	\$957.00	\$1,235.00

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 2) 707.060****Detailed Breakdown (Chart 2)**

<u>Total Gross Income for Three Persons</u>	<u>Less than \$830</u>	<u>\$831 to \$1,249</u>	<u>\$1,250 to \$1,669</u>	<u>\$1,670 to \$2,499</u>	<u>\$2,500 to \$3,329</u>	<u>\$3,330 to \$4,169</u>	<u>\$4,170 to \$5,829</u>	<u>\$5,830 and over</u>
<u>Food</u>	<u>\$272.00</u>	<u>\$326.00</u>	<u>\$390.00</u>	<u>\$406.00</u>	<u>\$444.00</u>	<u>\$488.00</u>	<u>\$545.00</u>	<u>\$737.00</u>
<u>Housekeepi ng Supplies</u>	<u>\$24.00</u>	<u>\$28.00</u>	<u>\$29.00</u>	<u>\$41.00</u>	<u>\$ 47.00</u>	<u>\$55.00</u>	<u>\$ 58.00</u>	<u>\$77.00</u>
<u>Apparel & Services</u>	<u>\$110.00</u>	<u>\$114.00</u>	<u>\$134.00</u>	<u>\$143.00</u>	<u>\$175.00</u>	<u>\$205.00</u>	<u>\$206.00</u>	<u>\$368.00</u>
<u>Personal Care</u>	<u>\$23.00</u>	<u>\$28.00</u>	<u>\$34.00</u>	<u>\$41.00</u>	<u>\$47.00</u>	<u>\$50.00</u>	<u>\$59.00</u>	<u>\$67.00</u>
<u>Miscellaneo us</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>	<u>\$150.00</u>
<u>Total</u>	<u>\$579.00</u>	<u>\$646.00</u>	<u>\$737.00</u>	<u>\$781.00</u>	<u>\$863.00</u>	<u>\$948.00</u>	<u>\$1,018.00</u>	<u>\$1,399.00</u>

Detailed Breakdown (Chart 2)

<u>Total Gross Income for Four Persons</u>	<u>Less than \$830</u>	<u>\$831 to \$1,249</u>	<u>\$1,250 to \$1,669</u>	<u>\$1,670 to \$2,499</u>	<u>\$2,500 to \$3,329</u>	<u>\$3,330 to \$4,169</u>	<u>\$4,170 to \$5,829</u>	<u>\$5,830 and over</u>
<u>Food</u>	<u>\$374.00</u>	<u>\$376.00</u>	<u>\$406.00</u>	<u>\$416.00</u>	<u>\$472.00</u>	<u>\$574.00</u>	<u>\$629.00</u>	<u>\$777.00</u>
<u>Housekeepi ng Supplies</u>	<u>\$36.00</u>	<u>\$37.00</u>	<u>\$38.00</u>	<u>\$46.00</u>	<u>\$49.00</u>	<u>\$57.00</u>	<u>\$60.00</u>	<u>\$78.00</u>
<u>Apparel & Services</u>	<u>\$114.00</u>	<u>\$145.00</u>	<u>\$146.00</u>	<u>\$147.00</u>	<u>\$179.00</u>	<u>\$206.000</u>	<u>\$244.00</u>	<u>\$369.00</u>
<u>Personal Care</u>	<u>\$27.00</u>	<u>\$29.00</u>	<u>\$35.00</u>	<u>\$46.00</u>	<u>\$49.00</u>	<u>\$51.00</u>	<u>\$62.00</u>	<u>\$74.00</u>
<u>Miscellaneo us</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>	<u>\$175.00</u>
<u>Total</u>	<u>\$726.00</u>	<u>\$762.00</u>	<u>\$800.00</u>	<u>\$830.00</u>	<u>\$924.00</u>	<u>\$1,063.00</u>	<u>\$1,170.00</u>	<u>\$1,473.00</u>

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 3) 707.060****Detailed Breakdown (Chart 2)**

<u>Total Gross Income for More Than Four Persons</u>	<u>Less than \$830</u>	<u>\$831 to \$1,249</u>	<u>\$1,250 to \$1,669</u>	<u>\$1,670 to \$2,499</u>	<u>\$2,500 to \$3,329</u>	<u>\$3,330 to \$4,169</u>	<u>\$4,170 to \$5,829</u>	<u>\$5,830 and over</u>
<u>For each additional person, add to the four person total the following amount:</u>	<u>\$125.00</u>	<u>\$135.00</u>	<u>\$145.00</u>	<u>\$155.00</u>	<u>\$165.00</u>	<u>\$175.00</u>	<u>\$185.00</u>	<u>\$195.00</u>

Local Standards:**Maximum Monthly Housing and Utilities Allowable Living Expenses for California (Chart 3)***

<u>County</u>	<u>1 or 2 People</u>	<u>3 People</u>	<u>4 or More</u>
<u>Alameda</u>	<u>\$1,467.00</u>	<u>\$1,726.00</u>	<u>\$1,985.00</u>
<u>Alpine</u>	<u>\$1,066.00</u>	<u>\$1,254.00</u>	<u>\$1,442.00</u>
<u>Amador</u>	<u>\$ 971.00</u>	<u>\$1,143.00</u>	<u>\$1,314.00</u>
<u>Butte</u>	<u>\$ 873.00</u>	<u>\$1,027.00</u>	<u>\$1,181.00</u>
<u>Calaveras</u>	<u>\$1,006.00</u>	<u>\$1,184.00</u>	<u>\$1,361.00</u>
<u>Colusa</u>	<u>\$ 749.00</u>	<u>\$ 881.00</u>	<u>\$1,013.00</u>
<u>Contra Costa</u>	<u>\$1,520.00</u>	<u>\$1,788.00</u>	<u>\$2,056.00</u>
<u>Del Norte</u>	<u>\$ 798.00</u>	<u>\$ 939.00</u>	<u>\$1,080.00</u>
<u>El Dorado</u>	<u>\$1,211.00</u>	<u>\$1,424.00</u>	<u>\$1,638.00</u>
<u>Fresno</u>	<u>\$ 959.00</u>	<u>\$1,128.00</u>	<u>\$1,297.00</u>
<u>Glenn</u>	<u>\$746.00</u>	<u>\$ 878.00</u>	<u>\$1,010.00</u>
<u>Humboldt</u>	<u>\$ 825.00</u>	<u>\$ 971.00</u>	<u>\$1,117.00</u>
<u>Imperial</u>	<u>\$ 855.00</u>	<u>\$1,006.00</u>	<u>\$1,157.00</u>
<u>Inyo</u>	<u>\$ 973.00</u>	<u>\$1,145.00</u>	<u>\$1,317.00</u>

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 4) 707.060****Maximum Monthly Housing and Utilities Allowable Living Expenses for California (Chart 3)***

<u>County</u>	<u>1 or 2 People</u>	<u>3 People</u>	<u>4 or More</u>
<u>Kern</u>	<u>\$ 995.00</u>	<u>\$1,170.00</u>	<u>\$1,346.00</u>
<u>Kings</u>	<u>\$ 876.00</u>	<u>\$1,031.00</u>	<u>\$1,186.00</u>
<u>Lake</u>	<u>\$ 934.00</u>	<u>\$1,099.00</u>	<u>\$1,264.00</u>
<u>Lassen</u>	<u>\$ 789.00</u>	<u>\$ 929.00</u>	<u>\$1,068.00</u>
<u>Los Angeles</u>	<u>\$1,316.00</u>	<u>\$1,549.00</u>	<u>\$1,781.00</u>
<u>Madera</u>	<u>\$ 941.00</u>	<u>\$1,107.00</u>	<u>\$1,273.00</u>
<u>Marin</u>	<u>\$1,791.00</u>	<u>\$2,107.00</u>	<u>\$2,423.00</u>
<u>Mariposa</u>	<u>\$ 929.00</u>	<u>\$1,093.00</u>	<u>\$1,257.00</u>
<u>Mendocino</u>	<u>\$ 999.00</u>	<u>\$1,176.00</u>	<u>\$1,352.00</u>
<u>Merced</u>	<u>\$ 901.00</u>	<u>\$1,060.00</u>	<u>\$1,219.00</u>
<u>Modoc</u>	<u>\$ 599.00</u>	<u>\$ 705.00</u>	<u>\$ 811.00</u>
<u>Mono</u>	<u>\$1,307.00</u>	<u>\$1,537.00</u>	<u>\$1,768.00</u>
<u>Monterey</u>	<u>\$1,237.00</u>	<u>\$1,455.00</u>	<u>\$1,673.00</u>
<u>Napa</u>	<u>\$1,298.00</u>	<u>\$1,527.00</u>	<u>\$1,756.00</u>
<u>Nevada</u>	<u>\$1,150.00</u>	<u>\$1,353.00</u>	<u>\$1,556.00</u>

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 5) 707.060****Maximum Monthly Housing and Utilities Allowable Living Expenses for California (Chart 3)***

<u>County</u>	<u>1 or 2 People</u>	<u>3 People</u>	<u>4 or More</u>
<u>Orange</u>	<u>\$1,509.00</u>	<u>\$1,776.00</u>	<u>\$2,042.00</u>
<u>Placer</u>	<u>\$1,292.00</u>	<u>\$1,520.00</u>	<u>\$1,748.00</u>
<u>Plumas</u>	<u>\$ 864.00</u>	<u>\$1,016.00</u>	<u>\$1,169.00</u>
<u>Riverside</u>	<u>\$1,223.00</u>	<u>\$1,439.00</u>	<u>\$1,655.00</u>
<u>Sacramento</u>	<u>\$1,090.00</u>	<u>\$1,282.00</u>	<u>\$1,474.00</u>
<u>San Benito</u>	<u>\$1,382.00</u>	<u>\$1,626.00</u>	<u>\$1,870.00</u>
<u>San Bernardino</u>	<u>\$1,127.00</u>	<u>\$1,326.00</u>	<u>\$1,524.00</u>
<u>San Diego</u>	<u>\$1,369.00</u>	<u>\$1,610.00</u>	<u>\$1,852.00</u>
<u>San Francisco</u>	<u>\$1,452.00</u>	<u>\$1,709.00</u>	<u>\$1,965.00</u>
<u>San Joaquin</u>	<u>\$1,058.00</u>	<u>\$1,245.00</u>	<u>\$1,432.00</u>
<u>San Luis Obispo</u>	<u>\$1,288.00</u>	<u>\$1,515.00</u>	<u>\$1,742.00</u>
<u>San Mateo</u>	<u>\$1,691.00</u>	<u>\$1,990.00</u>	<u>\$2,288.00</u>
<u>Santa Barbara</u>	<u>\$1,340.00</u>	<u>\$1,576.00</u>	<u>\$1,812.00</u>
<u>Santa Clara</u>	<u>\$1,649.00</u>	<u>\$1,940.00</u>	<u>\$2,232.00</u>
<u>Santa Cruz</u>	<u>\$1,569.00</u>	<u>\$1,846.00</u>	<u>\$2,123.00</u>
<u>Shasta</u>	<u>\$ 868.00</u>	<u>\$1,022.00</u>	<u>\$1,175.00</u>
<u>Sierra</u>	<u>\$ 772.00</u>	<u>\$ 909.00</u>	<u>\$1,045.00</u>
<u>Siskiyou</u>	<u>\$ 712.00</u>	<u>\$ 838.00</u>	<u>\$ 964.00</u>
<u>Solano</u>	<u>\$1,348.00</u>	<u>\$1,586.00</u>	<u>\$1,824.00</u>
<u>Sonoma</u>	<u>\$1,351.00</u>	<u>\$1,590.00</u>	<u>\$1,828.00</u>
<u>Stanislaus</u>	<u>\$1,012.00</u>	<u>\$1,190.00</u>	<u>\$1,369.00</u>
<u>Sutter</u>	<u>\$ 911.00</u>	<u>\$1,072.00</u>	<u>\$1,233.00</u>
<u>Tehama</u>	<u>\$ 743.00</u>	<u>\$ 874.00</u>	<u>\$1,005.00</u>
<u>Trinity</u>	<u>\$ 784.00</u>	<u>\$ 922.00</u>	<u>\$1,060.00</u>
<u>Tulare</u>	<u>\$ 853.00</u>	<u>\$1,003.00</u>	<u>\$1,153.00</u>
<u>Tuolumne</u>	<u>\$1,010.00</u>	<u>\$1,188.00</u>	<u>\$1,366.00</u>
<u>Ventura</u>	<u>\$1,496.00</u>	<u>\$1,761.00</u>	<u>\$2,025.00</u>
<u>Yolo</u>	<u>\$1,074.00</u>	<u>\$1,264.00</u>	<u>\$1,453.00</u>
<u>Yuba</u>	<u>\$ 771.00</u>	<u>\$ 907.00</u>	<u>\$1,043.00</u>

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS**(Cont. 6) 707.060**

Utilities included in above figures.

* Verification of Housing Expenses should be obtained in all cases. Standards for owned dwellings include mortgage payments, home equity loans, property taxes and insurance, expenses for property management/security, expenses for maintenance and repairs. Standards for rented dwellings include rent, parking fees, maintenance, renters insurance and other expenses.

Utilities include natural gas, electricity, fuel oil, wood, kerosene, coal, bottled gas, water, garbage and trash collection, sewerage maintenance, basic phone service and other public services. Basic cable television should be included in miscellaneous expenses.

Figures are based upon Federal Internal Revenue Services January 1, 2002 allowable living expenses for similar payment plans.

Maximum Allowable Monthly Transportation Expenses (Chart 4)

<u>Allowable Transportation Expenses</u>	<u>One Car</u>	<u>Two Cars</u>
<u>Automobile Ownership Costs:*</u>	<u>\$419.00</u>	<u>\$739.00</u>

Operating Costs and Public Transportation Costs by Metropolitan Area:

<u>Los Angeles</u> <u>(Los Angeles, Orange, Riverside, San Bernardino, and Ventura counties)</u>	<u>\$ 243.00</u>	<u>\$ 297.00</u>	<u>\$ 351.00</u>
<u>San Francisco</u> <u>(Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma counties)</u>	<u>\$ 285.00</u>	<u>\$ 341.00</u>	<u>\$ 398.00</u>
<u>San Diego</u> <u>(San Diego county)</u>	<u>\$ 265.00</u>	<u>\$ 320.00</u>	<u>\$ 374.00</u>
<u>All Remaining Areas</u>	<u>\$ 221.00</u>	<u>\$ 275.00</u>	<u>\$ 331.00</u>

* Tax debtor must show documentation for a lease or loan on a vehicle to claim ownership costs.

Transportation costs include gasoline, oil, maintenance and repairs, vehicle insurance, registration and license fees, parking fees, towing charges, tolls and automobile service clubs. Transportation costs also can be used to cover public transportation such as fares for mass transit, buses, trains, airlines, taxis, private school buses and boats, provided they pass the necessary expense test.

Other Necessary Expenses:

Accounting and legal fees for representation before the Board. Fees are necessary only if they are for representation before the Board or they meet the necessary expense test (health and welfare or production of income). Other accounting expenses and legal fees are not necessary expenses but are conditional expenses and are allowable if the tax liability can be paid in full, including projected interest and penalty accruals, within three years.

Charitable contributions. These expenses include donations to tax exempt organizations such as: civic organizations, religious organizations (tithing and educational), and medical services or associations. To be deemed necessary, charitable contributions have to provide for the health and welfare of the tax debtor and his or her family or be a condition of employment. Any contributions that do not meet the necessary expense test will be considered as conditional, and may be allowed only if the tax debtor can show a pattern of similar contributions in the past.

Child care. Baby sitting, day care, nursery and preschool. Expenses are necessary if they meet the necessary expense test (health, welfare or production of income). Care should be taken to ensure that only a reasonable amount is allowed. Costs of childcare can vary greatly. We should not allow expensive childcare if more reasonable alternatives exist. If a portion of a child care expense is disallowed, the tax debtor should not be told to move their child to a cheaper facility. Instead, tax debtors should be advised that they are expected to pay an amount equal to that which is determined to be excessive. Tax debtors should be responsible for determining what modifications or eliminations must be made in their budgets in order to pay the tax liability.

Court ordered payments. Alimony, child support (including orders made by a state administrative agency) and other court-ordered payments. If the expense is already being deducted directly from a tax debtor's pay, do not allow it to be included as an additional expense.

Dependent care. For the elderly, invalid or handicapped. This expense is necessary if there is no recourse except for a tax debtor to pay the expense.

Education. Education is a necessary expense if required for a physically or mentally challenged child and no public education providing similar services is available. It is also a necessary expense if required as a condition of employment, such as a teacher whose employment is conditioned upon completion of a graduate program.

Health care. Health insurance, medical services, prescription drugs and medical supplies (including eyeglasses and contact lenses). A guide dog for someone who is visually handicapped would also fall into this category.

Involuntary deductions. Deductions from income include FICA, Medicare and mandatory union dues.

NECESSARY EXPENSES, LONG TERM PAYMENT PLANS

(Cont. 8) 707.060

Life insurance. To be a necessary expense, insurance is limited to term policies that are already in effect at the time of the billing. Life insurance used as an investment is not a necessary expense. Consider if the payoff of the policy is high compared to the lifestyle of the beneficiaries. Even for term policies, expensive premiums must be justified. On whole life policies, the tax debtor should be required to obtain a loan against the value, withdraw the cash value (if it can be done without penalty) or suspend payments while the payment plan is in progress (if allowable by the insurance company). If payments can not be suspended, the expense will be considered as conditional.

Secured or legally perfected debts. If the debts meet the necessary expense test (health, welfare or production of income), payments will be allowed for these debts. To be allowed, a tax debtor must substantiate that the payments are being made regularly.

Taxes. Current federal (including FICA and Medicare), state and local tax payments. Back federal, state and local tax payments are necessary expenses. A tax debtor who is currently making payments on back taxes to other agencies should be required to work out a prorated payment to those taxing agencies based on the total liability amounts.

Unsecured debts. Minimum payments will be allowed if the tax liability, including projected interest and penalty accruals, will be paid within three years. Otherwise, payments will have to come from the total amount allowed under statewide and local standards. Payments on unsecured debts will not be allowed if omitting them would permit the tax debtor to pay in full within 90 days, with the exception of credit card minimum payments (90 day rule).

Miscellaneous expenses. This expense category has been established to avoid confrontation over minor expenses, that the tax debtor claims, are necessary, but which the Board does not recognize as necessary. Examples include cable television bills for remote areas with poor reception, extracurricular activities for children or monthly Christmas savings account deposits.

SUSPENSION OF ALCOHOLIC BEVERAGE LICENSE FOR FAILURE TO RENEW A SURETY BOND

748.006

Section 24205 of the Business & Professions Code provides that the license of any taxpayer shall be automatically suspended upon cancellation of his or her sale and use tax bond, or if that bond becomes void or unenforceable for any reason, or if the taxpayer fails to pay any taxes or penalties that are delinquent for at least three months for the suspension of any alcohol beverage license if the taxpayer is three or more months delinquent in the renewal of a surety bond under the Sales & Use Tax Law, the Bradley Burns Uniform Local Sales & Use Tax Law, or the Transactions & Use Tax Law, when that permit is related to the exercise of the privilege of an ~~a~~Alcoholic ~~b~~Beverage Control (ABC) license.

Section 24205 should be utilized in every case where a taxpayer has an ABC~~alcohol beverage~~ license that is directly related to a delinquent seller's permit and:

- has a cancelled or unenforceable bond, or
- is three calendar months delinquent in the payment of taxes or penalties,~~renewal of a surety bond,~~
- and is not currently making payments on an approved payment plan to pay delinquent taxes or penalties,~~replace that bond.~~

This avenue is not available in cases where the Board is making an initial demand for security.

Two warning letters are available ~~have been placed in~~ ACMS DOCCEN for use in cases that have the potential for an ABC~~alcohol beverage~~ license suspension. The first letter (BOE-1496, *ABC Suspension - Preliminary Notice, Security*) ~~is meant to~~ should be used when the taxpayer has not replaced a bond that was cancelled, is unenforceable, or when the taxpayer is delinquent in the payment of taxes or penalties for renewal of a surety bond for approximately ~~roughly~~ 2 1/2 months. This letter warns of the potential consequences of an automatic suspension of their alcoholic beverage license for not providing a valid renewing or replacing the expired or void surety bond or not paying delinquent taxes.

The second letter (BOE-1498, *ABC Suspension - Final Notice, Security*) is a final notice that ~~is to~~ should be used approximately two weeks after the first letter, Form BOE-1496, or when a taxpayer is delinquent in the payment of taxes ~~renewal of a surety bond~~ for three full calendar months. A BOE-1498 letter should always be mailed to the mailing address of record prior to suspension of the ABC license. This final letter affords the taxpayer 14 calendar days to comply before suspension.

Once the 14 days has lapsed, and the taxpayer has not provided a valid ~~replaced or renewed their surety bond or paid their delinquent taxes or prenalities,~~ Form BOE-200, *Special Procedures Action Request*, should be completed and forwarded to Special Procedures for processing. Special Procedures will verify that the BOE-1498 has been sent ~~via ACMS DOCCEN,~~ that 14 days have lapsed, and that the taxpayer has not provided a valid surety bond or paid their delinquent taxes or penalties ~~is currently three full calendar months delinquent in the renewal of their surety bond.~~ Special Procedures will forward a memo (BOE-1499, *ABC Suspension Request*) to ABC, requesting that the ABC~~alcohol beverage~~ license be suspended until further notice. If the taxpayer complies prior to issuance of the BOE-1499, notify Special Procedures immediately.

ABC will conduct a field call, confiscate the liquor license, and notify Special Procedures when completed.

Section 24205 expressly provides that the license shall be automatically reinstated if the taxpayer files a valid bond, or pays his or her delinquent taxes or penalties, as the case may be, ~~reinstatement should only be allowed when the taxpayer is current on all sales & use tax returns and has filed a valid bond.~~ Once the seller has provided a valid ~~replaced or renewed their surety bond and has filed and paid all delinquent taxes or penalties,~~ current sales & use tax returns, a release memo (BOE-1500, *ABC Suspension Release*) should be sent by the district to ABC. This memo will notify ABC that the taxpayer's license should be reinstated. An exception may be allowed if the taxpayer is current on self-declared taxes, has a valid ~~renewed~~

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the—surety bond, and is making payments on an approved installment payment
agreement~~BOE 407, against an audit liability.~~

*(Revised to reflect current provisions of Business and Professions Code
24205 regarding the bond being cancelled, void, or unenforceable.)*

Name change From Account Analysis and Control Section To Registration and Security Control Team in LRAS

INITIATION OF REVOCATION ACTION

751.030

In cases of failure to file and pay returns, the revocation action is an automated process, ~~supervised by Headquarters Account Analysis and Control Section.~~ For a cause other than failure to file a return(s), i.e., security, failure to comply, etc., the revocation action is initiated by district office personnel through the Delinquency subsystem.

INOPERATIVE REVOCATIONS

751.130

A revocation for failure to file and pay a return is considered inoperative only if the return and all taxes owing for a particular period are paid on or before the effective date of the revocation. Revocation of a permit is considered inoperative if the person has terminated his/her operations before the effective date of revocation. In this case the on-line closeout process will clear the revocation from the Board's records. The revocation is considered valid only when the revocation notice is mailed to the taxpayer's address of record. If there has been a change in the business location and the notice of revocation was mailed to the former address, the revocation can only be considered inoperative if the Board received notice of the move prior to the effective date of revocation. Letters informing the Board of the change, Post Office Department Form 3573 sent to the Board, and returns with the address crossed out (and the forwarding address has been inserted) are all considered to be notices of a move. If the Board did not receive notice of the move prior to the effective date of revocation, then the revocation is operative and the conditions of reinstatement must be met.

Inoperative revocations occur because the taxpayer's action to clear the cause of revocation, although prior to the effective date of the revocation, is too late to prevent the recording of the revocation and the mailing of the notice. If the taxpayer is shown as revoked on the delinquent record, the district office will notify the taxpayer the revocation is inoperative through the use of Form BOE-16, Notice of Inoperative Revocation. However, the duplicate copy will no longer be sent to the Registration and Security Control Team in LRAS ~~Headquarters Account Analysis and Control Section.~~

Name change From Account Analysis and Control Section To Registration and Security Control Team in LRAS

NOTIFICATION TO SPECIAL PROCEDURES - LEGAL CASES

754.030

Promptly upon learning the estate of a taxpayer is involved in bankruptcy, assignment for benefit of creditors, probate, or receivership proceedings, the district office will obtain the required information and complete the legal claim case screen on-line. This screen is to be used for all taxes administered by the Board. Care must be taken to ensure all required information is entered on this screen.

In bankruptcy cases, the information can generally be obtained from the trustee, records of the bankruptcy court, or the attorney for the debtor.

In probate and receivership cases, complete information can be obtained from the court records available in the county in which the estate is being administered.

In cases of general assignments for the benefit of creditors, information can be obtained from the assignee, from the debtor's attorney, or the debtor. The only information other than the general information required in all legal cases is the name and address of the assignee and the date of the assignment. Frequently, if information is not complete from the original source, the remaining information can be obtained through a telephone call to appropriate offices or persons, thereby making time-consuming field assignments unnecessary.

The legal claim case screen should be prepared for Chapter 7 cases even if the court has indicated the case is a no asset case. However, the district must insure that the 'Y' indicator is entered in the No Asset Case field in the legal claim case screen to prevent erroneous claims being filed.

Bankruptcy notices are sent to the Registration and Security Control Team in LRAS~~Headquarters Account Analysis and Control Section~~ by the eleven California courts. The Registration and Security Control Team in LRAS~~Headquarters Account Analysis and Control Section~~ will screen these bankruptcy notices on a priority basis, including notices of conversion from one chapter to another. All notices indicating assets or the probability the debtor holds a permit with the Board will be searched for account numbers. Notices developing a permit number will be sent to the district for their immediate action. The legal claim case screen, including BAR DATE, if available, will be completed and transmitted by the district to Headquarters Special Procedures Section as quickly as possible so a legal follow up may be established on the account. This follow-up will generally set a date one-month prior to the last date (the Bar Date) a claim can be filed. Headquarters Special Procedures Section will review the account and cause a claim to be prepared for filing in the debtor's estate.

Districts must have all delinquencies cleared, audits completed, and the figures made available to Headquarters Special Procedures Section not less than 30 days before the final date to file claims (Bar Date). If delinquent returns are received within six (6) weeks of the Bar Date, a copy of each return must be sent directly to the Headquarters Special Procedures Section after the appropriate "NR" or "PR" comments have been entered.

No follow-up will be made by Headquarters Special Procedures Section regarding clearance of delinquencies, completion of audits, etc. The acceleration of time in which to file claims precludes such inquiry.

Name change From Account Analysis and Control Section To Registration and Security Control Team in LRAS

BANKRUPTCY NOTICES CENTRALIZATION

754.170

The California Bankruptcy Courts have been contacted and have agreed to send the bankruptcy notices directly to the Board. The notices are directed to the Registration and Security Control Team in LRAS~~Headquarters Account Analysis and Control Section~~ where the alpha search of bankruptcy notices has been centralized. All Chapter 11 notices are sent directly to Special Procedures.

The Out-of-State District will send all bankruptcy notices received from out-of-state courts to the Registration and Security Control Team in LRAS~~Headquarters Account Analysis and Control Section~~.

After the Registration and Security Control Team in LRAS~~Account Analysis and Control Section~~ obtains an account number, the original bankruptcy notice will be sent directly to the district of control.

All secondary notices will be returned to the Headquarters Special Procedures Section for their review. The Headquarters Special Procedures Section will then forward these notices to the districts.

The district offices will follow through with their normal investigation and bankruptcy procedures, as the only step being taken in headquarters is a review for account numbers.

RESPONSIBILITY FOR RECORDING AND FILING LIENS

760.040

The notice of state tax lien or abstract of judgment is prepared and forwarded to the appropriate county recorder or to the office of the Secretary of State by the Headquarters Special Procedures Section. A copy of the document is ~~sent to the district office involved, and a copy is~~ mailed to the taxpayer.

(Revised to conform to current procedure.)

POLICY AND MINIMUM AMOUNTS - NOTICE OF STATE TAX LIEN

760.060

The use of the Notice of State Tax Lien has proven to be an effective collection aid resulting in the clearance of many accounts that would have been otherwise impossible or more difficult to collect otherwise. The recordation of a lien will be made in the county in which the business was located and in any other county in which the taxpayer may own real property. Generally, a lien will not be filed on liabilities that do not include tax because an adjustment or request for relief may be pending. ~~Because of the beneficial effect of this type of action, Board policy is to routinely record a Notice of State Tax Lien for accounts with delinquent amounts of \$2,000 or more in the appropriate county(ies).~~ **AUTOMATIC PROCESS**

- ~~___~~ ~~approximately~~ 180 days after an amount, if sufficient, becomes delinquent on a determination or redetermination, or
- ~~___~~ 180 days after issuance of a billing for an amount due on a return filed without payment, or with a partial payment, or for penalty and interest because of late payment, or
- ~~___~~ 180 days after a successor's billing is issued.

~~The recordation will be made in the county in which the business was located and in any other county in which the taxpayer may own real property.~~ If the delinquent amount exceeds \$5,000, a lien ~~the notice~~ will also be filed with the office of the Secretary of State at Sacramento upon receipt of a request for such action by the referring office or if the Headquarters Special Procedures Section review of the file indicates such action is appropriate. ~~A notice~~ lien will be filed with the Secretary of State in all Attorney General referrals for intervenor actions.

If a valid business reason is shown to protect the State's interests per Section 7097 and documented in IRIS or ACMS notes, the lien may be filed ~~after thirty days after the taxpayer has been sent a notice that the Board may file a lien to protect the State's interests.~~ That notice is generally on the Demand Notice, which is sent approximately 15 days after the liability becomes final. A request to file a lien in less than 180 days must be accompanied by a supervisor's comment/approval in ACMS.

~~A lien request may be sent by the district to the Special Procedures Section if the delinquent amounts exceed \$2,000. The recordation will be made in the county in which the business was located and in any other county in which the taxpayer may own real property. If the delinquent amount exceeds \$5,000, the notice will also be filed with the office of the Secretary of State at Sacramento upon receipt of a request for such action by the district office or if the Headquarters Special Procedures Section review of the file indicates such action is appropriate. A notice will be filed with the Secretary of State in all Attorney General referrals for intervenor actions. A notice will be recorded or filed for amounts less than the above referred to minimums if the district office determines such action is desirable to aid in its collection effort. Any request for this action is to be forwarded to the Headquarters Special Procedures Section.~~

If the need for an earlier recording or filing arises or if the lien covering real property should be extended to other counties, an appropriate request should be forwarded to the Headquarters Special Procedures Section by the referring district office. Also, the referring office ~~district~~ should request a new lien if they ~~district~~ discovers the existing lien was filed prior to July 1, 1983 and a homestead exemption was previously recorded on the property. ~~was previously homestead.~~ (See Subsection 760.120)

If a taxpayer is a multiple-outlet business, SR Y for example, the referring office should request the Headquarters Special Procedures Section to ~~will check the real property locator and record~~ liens in any county in which real property is found. If no real property is found, a lien will be recorded only in the county where the "master" is located. ~~A Personal Property lien will be filed for record if the account fits the criteria outlined in this section.~~ If an out-of-state taxpayer qualifies for a lien but owns no California property, a real property lien should be requested to be filed in Sacramento County.

~~If no real property is shown on the locator, but a Headquarters file review suggests the entity may have acquired real estate subsequent to the first Monday in March of the year available on the real property locator the district office will be asked to investigate and inform the~~

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~~Headquarters Special Procedures Section if a lien is required in any county other than the master location.~~

For taxpayers in bankruptcy, liens can not be filed until after the automatic stay has been lifted. Post-petition liens on pre-petition liabilities will only be filed in cases where the debtor filed in Chapter 7 of the Bankruptcy Code and has been discharged or the case dismissed.

Abstracts are no longer recorded routinely. Their recording is now limited to renewals of previously recorded abstracts prior to their expiration date to extend the lien acquired by the original recording.

The Headquarters Special Procedures Section is responsible for the timely recording of renewals of abstracts.

*(Supervisor approval process requested by the SUTD Tax Policy Manager.
Other revisions to better organize the material and eliminate
redundancies.)*

LIENS AFFECTING PERSONS OTHER THAN TAXPAYERS

763.090

On occasion, a person with the same or very similar name as a Board of Equalization taxpayer may be affected by a Board lien. The person generally becomes aware of the lien when it appears on a credit report or title report. Such persons will likely contact the Board to request assistance in resolving the problem.

When this situation arises, district staff should first verify the person is not, in fact, the Board's taxpayer. To verify that the person contacting the Board is not the Board's taxpayer, request the person to appear in one of the Board's field offices (when a Taxpayer is unable to appear at a field office, they should be instructed to contact the Special Procedures Section for assistance) with:

his or her driver license or verifiable picture ID, such as from a place of employment,
and

social security card, or

copies of other documents which show the social security number (e.g., payroll documents, income tax returns).

If the above documents do not conclusively demonstrate that the person is not the taxpayer in question, other evidence must be submitted. District office staff has the latitude and responsibility to work with the person to determine the documentation which will verify that he or she is not our taxpayer.

Once the above is obtained, district staff should photocopy the documents and prepare a cover memo, with recommendation, that includes:

the person's name,

the person's mailing address,

the persons's telephone number,

a brief description of how the person discovered the error (e.g., credit report, title report)

any other supporting documents

The memo and the photocopies of the documents should then be sent to the Special Procedures Section. Special Procedures staff will prepare a notarized letter ("wrong person" letter) stating the person is not our taxpayer. A cover letter is sent to the person with this notarized letter suggesting that the person provide the notarized letter to credit reporting companies and others who may question the lien. The letter should mitigate any future concerns or issues regarding the lien.

(New section to inform staff of the procedures for handling instances when a lien inadvertently affects a person with the same name as a BOE tax debtor. Developed as a result of an issue raised during the Taxpayer Bill of Rights Hearing in Culver City on August 20, 2002.)